

# Capitalism's Self-Inflicted Apocalypse

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**After the overthrow of** communist governments in Eastern Europe, capitalism was paraded as the indomitable system that brings prosperity and democracy, the system that would prevail unto the end of history.

The present economic crisis, however, has convinced even some prominent free-marketeers that something is gravely amiss. Truth be told, capitalism has yet to come to terms with several historical forces that cause it endless trouble: democracy, prosperity, and capitalism itself, the very entities that capitalist rulers claim to be fostering.

## **Plutocracy vs. Democracy**

Let us consider democracy first. In the United States we hear that capitalism is wedded to democracy, hence the phrase, "capitalist democracies." In fact, throughout our history there has been a largely antagonistic relationship between democracy and capital concentration. Some eighty years ago Supreme Court Justice Louis Brandeis commented, "We can have democracy in this country, or we can have great wealth concentrated in the hands of a few, but we can't have both." Moneyed interests have been opponents not proponents of democracy.

The Constitution itself was fashioned by affluent gentlemen who gathered in Philadelphia in 1787 to repeatedly warn of the baneful and dangerous leveling effects of democracy. The document they cobbled together was far from democratic, being shackled with checks, vetoes, and requirements for artificial super majorities, a system designed to blunt the impact of popular demands.

In the early days of the Republic the rich and well-born imposed property qualifications for voting and officeholding. They opposed the

direct election of candidates (note, their Electoral College is still with us). And for decades they resisted extending the franchise to less favored groups such as propertyless working men, immigrants, racial minorities, and women.

Today conservative forces continue to reject more equitable electoral features such as proportional representation, instant runoff, and publicly funded campaigns. They continue to create barriers to voting, be it through overly severe registration requirements, voter roll purges, inadequate polling accommodations, and electronic voting machines that consistently "malfunction" to the benefit of the more conservative candidates.

At times ruling interests have suppressed radical publications and public protests, resorting to police raids, arrests, and jailings—applied most recently with full force against demonstrators in St. Paul, Minnesota, during the 2008 Republican National Convention.

The conservative plutocracy also seeks to rollback democracy's social gains, such as public education, affordable housing, health care, collective bargaining, a living wage, safe work conditions, a non-toxic sustainable environment; the right to privacy, the separation of church and state, freedom from compulsory pregnancy, and the right to marry any consenting adult of one's own choosing.

About a century ago, US labor leader Eugene Victor Debs was thrown into jail during a strike. Sitting in his cell he could not escape the conclusion that in disputes between two private interests, capital and labor, the state was not a neutral arbiter. The force of the state—with its police, militia, courts, and laws—was unequivocally on the side of the company bosses. From this, Debs concluded that capitalism was not just an economic system but an entire social order, one that rigged the rules of democracy to favor the moneybags.

Capitalist rulers continue to pose as the progenitors of democracy even as they subvert it, not only at home but throughout Latin America, Africa, Asia, and the Middle East. Any nation that is not "investor friendly," that attempts to use its land, labor, capital, natural resources, and markets in a self-developing manner, outside the

dominion of transnational corporate hegemony, runs the risk of being demonized and targeted as "a threat to U.S. national security."

Democracy becomes a problem for corporate America not when it fails to work but when it works too well, helping the populace move toward a more equitable and livable social order, narrowing the gap, however modestly, between the superrich and the rest of us. So democracy must be diluted and subverted, smothered with disinformation, media puffery, and mountains of campaign costs; with rigged electoral contests and partially disfranchised publics, bringing faux victories to more or less politically safe major-party candidates.

### **Capitalism vs. Prosperity**

The corporate capitalists no more encourage prosperity than do they propagate democracy. Most of the world is capitalist, and most of the world is neither prosperous nor particularly democratic. One need only think of capitalist Nigeria, capitalist Indonesia, capitalist Thailand, capitalist Haiti, capitalist Colombia, capitalist Pakistan, capitalist South Africa, capitalist Latvia, and various other members of the Free World--more accurately, the Free Market World.

A prosperous, politically literate populace with high expectations about its standard of living and a keen sense of entitlement, pushing for continually better social conditions, is not the plutocracy's notion of an ideal workforce and a properly pliant polity. Corporate investors prefer poor populations. The poorer you are, the harder you will work-for less. The poorer you are, the less equipped you are to defend yourself against the abuses of wealth.

In the corporate world of "free-trade," the number of billionaires is increasing faster than ever while the number of people living in poverty is growing at a faster rate than the world's population. Poverty spreads as wealth accumulates.

Consider the United States. In the last eight years alone, while vast fortunes accrued at record rates, an additional six million Americans sank below the poverty level; median family income declined by over \$2,000; consumer debt more than doubled; over seven million Americans lost their health insurance, and more than four million lost their pensions; meanwhile homelessness increased and housing foreclosures reached pandemic levels.

It is only in countries where capitalism has been reined in to some degree by social democracy that the populace has been able to secure a measure of prosperity; northern European nations such as Sweden, Norway, Finland, and Denmark come to mind. But even in these social democracies popular gains are always at risk of being rolled back.

It is ironic to credit capitalism with the genius of economic prosperity when most attempts at material betterment have been vehemently and sometimes violently resisted by the capitalist class. The history of labor struggle provides endless illustration of this.

To the extent that life is bearable under the present U.S. economic order, it is because millions of people have waged bitter class struggles to advance their living standards and their rights as citizens, bringing some measure of humanity to an otherwise heartless politico-economic order.

### **A Self-devouring Beast**

The capitalist state has two roles long recognized by political thinkers. First, like any state it must provide services that cannot be reliably developed through private means, such as public safety and orderly traffic. Second, the capitalist state protects the haves from the have-nots, securing the process of capital accumulation to benefit the moneyed interests, while heavily circumscribing the demands of the working populace, as Debs observed from his jail cell.

There is a third function of the capitalist state seldom mentioned. It consists of preventing the capitalist system from devouring itself. Consider the core contradiction Karl Marx pointed to: the tendency toward overproduction and market crisis. An economy dedicated to speedups and wage cuts, to making workers produce more and more for less and less, is always in danger of a crash. To maximize profits, wages must be kept down. But someone has to buy the goods and services being produced. For that, wages must be kept up. There is a chronic tendency-as we are seeing today-toward overproduction of private sector goods and services and underconsumption of necessities by the working populace.

In addition, there is the frequently overlooked self-destruction created by the moneyed players themselves. If left completely

unsupervised, the more active command component of the financial system begins to devour less organized sources of wealth.

Instead of trying to make money by the arduous task of producing and marketing goods and services, the marauders tap directly into the money streams of the economy itself. During the 1990s we witnessed the collapse of an entire economy in Argentina when unchecked free marketeers stripped enterprises, pocketed vast sums, and left the country's productive capacity in shambles. The Argentine state, gorged on a heavy diet of free-market ideology, faltered in its function of saving capitalism from the capitalists.

Some years later, in the United States, came the multi-billion-dollar plunder perpetrated by corporate conspirators at Enron, WorldCom, Harkin, Adelphia, and a dozen other major companies. Inside players like Ken Lay turned successful corporate enterprises into sheer wreckage, wiping out the jobs and life savings of thousands of employees in order to pocket billions.

These thieves were caught and convicted. Does that not show capitalism's self-correcting capacity? Not really. The prosecution of such malfeasance- in any case coming too late-was a product of democracy's accountability and transparency, not capitalism's. Of itself the free market is an amoral system, with no strictures save "caveat emptor."

In the meltdown of 2008-09 the mounting financial surplus created a problem for the moneyed class: there were not enough opportunities to invest. With more money than they knew what to do with, big investors poured immense sums into nonexistent housing markets and other dodgy ventures, a legerdemain of hedge funds, derivatives, high leveraging, credit default swaps, predatory lending, and whatever else.

Among the victims were other capitalists, small investors, and the many workers who lost billions of dollars in savings and pensions. Perhaps the premiere brigand was Bernard Madoff. Described as "a longstanding leader in the financial services industry," Madoff ran a fraudulent fund that raked in \$50 billion from wealthy investors, paying them back "with money that wasn't there," as he himself put it. The plutocracy devours its own children.

In the midst of the meltdown, at an October 2008 congressional hearing, former chair of the Federal Reserve and orthodox free-market devotee Alan Greenspan confessed that he had been mistaken to expect moneyed interests--groaning under an immense accumulation of capital that needs to be invested somewhere--to suddenly exercise self-restraint.

The classic laissez-faire theory is even more preposterous than Greenspan made it. In fact, the theory claims that everyone should pursue their own selfish interests without restraint. This unbridled competition supposedly will produce maximum benefits for all because the free market is governed by a miraculously benign "invisible hand" that optimizes collective outputs. ("Greed is good.")

Is the crisis of 2008-09 caused by a chronic tendency toward overproduction and hyper-financial accumulation, as Marx would have it? Or is it the outcome of the personal avarice of people like Bernard Madoff? In other words, is the problem systemic or individual? In fact, the two are not mutually exclusive. Capitalism breeds the venal perpetrators, and rewards the most unscrupulous among them. The crimes and crises are not irrational departures from a rational system, but the converse: they are the rational outcomes of a basically irrational and amoral system.

Worse still, the ensuing multi-billion dollar government bailouts are themselves being turned into an opportunity for pillage. Not only does the state fail to regulate, it becomes itself a source of plunder, pulling vast sums from the federal money machine, leaving the taxpayers to bleed.

Those who scold us for "running to the government for a handout" are themselves running to the government for a handout. Corporate America has always enjoyed grants-in-aid, loan guarantees, and other state and federal subventions. But the 2008-09 "rescue operation" offered a record feed at the public trough. More than \$350 billion was dished out by a right-wing lame-duck Secretary of the Treasury to the biggest banks and financial houses without oversight--not to mention the more than \$4 trillion that has come from the Federal Reserve. Most of the banks, including JPMorgan Chase and Bank of New York Mellon, stated that they had no intention of letting anyone know where the money was going.

The big bankers used some of the bailout, we do know, to buy up smaller banks and prop up banks overseas. CEOs and other top banking executives are spending bailout funds on fabulous bonuses and lavish corporate spa retreats. Meanwhile, big bailout beneficiaries like Citigroup and Bank of America laid off tens of thousands of employees, inviting the question: why were they given all that money in the first place?

While hundreds of billions were being doled out to the very people who had caused the catastrophe, the housing market continued to wilt, credit remained paralyzed, unemployment worsened, and consumer spending sank to record lows.

In sum, free-market corporate capitalism is by its nature a disaster waiting to happen. Its essence is the transformation of living nature into mountains of commodities and commodities into heaps of dead capital. When left entirely to its own devices, capitalism foists its diseconomies and toxicity upon the general public and upon the natural environment--and eventually begins to devour itself.

The immense inequality in economic power that exists in our capitalist society translates into a formidable inequality of political power, which makes it all the more difficult to impose democratic regulations.

If the paladins of Corporate America want to know what really threatens "our way of life," it is their way of life, their boundless way of pilfering their own system, destroying the very foundation on which they stand, the very community on which they so lavishly feed.

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